
Response to Comments and Frequently Asked Questions

These comments, or questions and answers, are listed in reverse order, with the highest numbered comment, or question and answer, in a category, being the most recently posted. The information is categorized by the Chapters of the MAP Guide or the Appendix. The most recent FAQs were posted to chapter 8 and appendix 8 on 11/16/04.

Chapter 1 – Introduction

Chapter 2 - Lender Qualifications

7. Does the construction loan administrator for MAP projects have to be a full-time employee of the MAP Lender?

Yes. A qualified, full-time employee of the MAP lender must perform construction loan administration. (10/28/03)

6. The previous Q&A, #5 below under Chapter 2, directs that MAP Lender underwriters may perform the duties of a third party technical contractor such as the appraiser, architectural/engineering analyst, market analyst, construction cost estimator or project needs assessor so long as they are appropriately licensed. I believe this conflicts with other guidance in the MAP Guide and I also believe that this may be a problem as far as the Uniform Standards of Professional Appraisal Practice (USPAP) is concerned. Is this policy being reconsidered?

After further consideration, it has been determined that the lender's underwriter may not also act as the appraiser. Both the MAP Guide and USPAP require that the appraiser perform his assignment with impartiality, objectivity, and independence. The appraisal function must remain independent of the underwriting function as addressed in the MAP Guide at Section 7.2 B. This policy shall also be applicable to the market analyst function.

The underwriter may, however, act as the architectural/engineering analyst, construction cost estimator or project needs assessor so long as they are appropriately qualified and/or licensed. (9/9/03)

5. Can the MAP Lender's underwriter also perform the duties of a third party technical contractor, for example the appraiser, architectural/engineering analyst, market analyst, construction cost estimator or project needs assessor?

Yes. Although the MAP Lender's underwriter is expected to perform the mortgage credit function, if the underwriter can meet the licensing requirements, or can qualify by training and experience as required by the Multifamily Accelerated Processing (MAP) Guide, he/she may act as the underwriter as well as the appraiser, architectural/engineering analyst, market analyst, construction cost estimator or project needs assessor. (8/11/03)

4. Who does the initial approval of the MAP underwriter?

The initial approval of the MAP Lender's underwriter(s) will be done in Headquarters by staff in the Lender Qualification and Monitoring Division (LQMD). The approval will occur when the lender applies for MAP Lender approval or hires new or transfers existing staff to do underwriting. Although LQMD will initially approve the MAP Lender's underwriter(s), the HUD office processing the pre-application or application for Firm Commitment will continue to approve or disapprove the MAP Lender's underwriter on a case-by-case basis. (7/23/03)

3. What does a MAP Lender do when there is a merger with another non-MAP approved Lender or a transfer in ownership occurs or there is a name change?

When a MAP Lender merges with another non-MAP approved Lender, or a transfer in ownership occurs or if the MAP Lender has a name change; a new MAP Lender approval application must be submitted to the Lender Qualification and Monitoring Division (LQMD). The certification in Exhibit L of the MAP Lender approval application must be signed and dated by an authorized official and contain the following language: WARNING: HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Any name change, merger or transfer of ownership involving an FHA approved lender must be reported to Lynn S. Herbert Director, Lender Approval and Recertification Division at HUD Headquarters. Lenders are required to keep their existing mortgagee identification number. (7/23/03)

2. Who does the initial approval of the MAP construction loan administrator?

The initial approval of the MAP Lender's construction loan administrator(s) will be done in Headquarters by staff in the Lender Qualification and Monitoring Division (LQMD). The approval will occur when the lender applies for MAP Lender approval or hires new or transfers existing staff to do construction loan administration. Although LQMD will initially approve the MAP Lender's construction loan administrator(s), the HUD office processing the pre-application or application for Firm Commitment will continue to approve or disapprove the MAP Lender's

**construction loan administrator on a case-by-case basis.
(7/23/03)**

1. When an approved MAP underwriter leaves the employ of one MAP Lender and is hired by another MAP Lender, does the MAP underwriter status automatically transfer over with the employee?

No. A MAP Lender requests the Lender Qualification and Monitoring Division (LQMD) to approve an individual as a MAP underwriter. The approval to use an employee as a MAP underwriter is granted to the MAP Lender and, therefore, is not transferable from one MAP Lender to another. The new MAP Lender must seek approval to use the individual as a MAP underwriter. The MAP Lender submits a request to LQMD for approval of the individual and includes all supporting documentation required for approval. The underwriter's supporting documentation must meet the requirements in Sections 2.3 D and E and 2.6 I of the MAP Guide. (7/23/03)

Chapter 3 - Eligible Multifamily Mortgage Insurance Programs

2. Our Office has received an application for mortgage insurance for refinancing under Section 223(f). The project contains violations of the design and construction requirements of the Fair Housing Act. The owner is aware of the violations, but does not want to correct them. Can we insure the mortgage without the violations being corrected?

No. The Fair Housing Act violations must be corrected as a condition of mortgage insurance. If a project built after March 13, 1991 is submitted for refinance or purchase under Section 223(f), and inspection reveals that it does not meet all of the design and construction requirements of the Fair Housing Act, the project must be retrofitted to meet these requirements as a condition of mortgage insurance. These structural modifications/retrofits must meet the following conditions:

1. The modifications/retrofits may commence after Initial/Final Closing, but must be completed no later than one year after the Initial/Final Closing date.

2. Public and common areas: Except in extraordinary circumstances, modifications/retrofits of the public and common areas of the project must commence within thirty days after the Initial/Final Closing date.

3. Residential units:

a. Modifications/retrofits for individual units in the project must be scheduled to commence within

sixty days after the Initial/Final Closing date.

b. Advance notice to residents. Immediately after the issuance of the Firm Commitment, residents must receive written notification indicating the modifications/retrofits to be performed, the anticipated start date and work schedule, and, if necessary, the schedule of temporary relocation for each unit.

c. Work schedule. When estimating the cost of construction items that will require temporary relocation of residents, the Needs Assessor must develop a work schedule for these items that will efficiently utilize labor crews and provide for smooth turnover of temporary accommodations for each resident in turn.

d. Relocation costs. In the process of developing a scope of work for repairs and modifications/retrofits, the Needs Assessor must consider whether the proposed work will require the temporary relocation of residents while certain work items are being done. If temporary relocation is determined to be necessary, the Needs Assessor, using the work schedule, must estimate a relocation schedule and an overall relocation time, and develop a separate cost estimate for relocation to appropriate housing. The estimated relocation costs should be listed separately from the construction repair and modification/retrofit costs when developing the cost estimate for "critical" and "non-critical" repairs and Fair Housing Act compliance-related modifications/retrofits.

4. In all cases, once these structural modifications/retrofits are begun, the work should be completed without unreasonable delay. All structural modifications/retrofits must be completed within one year after the Initial/Final Closing date.

5. All such modifications/retrofits must conform to the escrow and inspection requirements contained in Section 13.17 of the MAP Guide.

6. The extent and cost of the modifications/retrofits will determine whether the project is feasible as a 223(f) or whether to resubmit it as substantial rehabilitation.

7. In no case may the Department insure such a project without a modification/retrofit plan. (7/24/03)

1. Two questions have been raised regarding the statement in Chapter 3.2B of the MAP Guide where it states, "The mortgaged property must be the sole asset of the mortgagor": (a.) Can the mortgagor of an apartment project lease the operations of

the apartment to another entity under a master lease? The lease would be subordinate to the HUD first mortgage. (b.) Can there be more than one mortgagor?

a. HUD does not permit master leases of apartment projects. If a sole-asset mortgagor leases its right to receive the rental income and pay the expenses, it will have divested the major attribute of its asset. The tenant entity would not be a sole-asset mortgagor. The tenant entity could be subject to attachment of its income due to other business arrangements. Master leasing of an apartment project is different from the situation where the owner of a health care facility leases the operations of the nursing home, board and care or assisted living facility because health care facilities require companies experienced in the health care business, not necessarily in real estate, while, with apartment projects, rental management must be experienced in managing real estate.

b. No, in order to preserve the Department's sole-asset requirement, there may not be more than one mortgagor.

It is important that the Department maintain the sole-asset requirement. If any form of ownership is proposed which would dilute the sole-asset requirement, it must first be approved by the Director, Office of Multifamily Development before any application for mortgage insurance can be accepted by a field office. (5/8/03)

Chapter 4 - Applications Requirements

1. In Section 4.2.D.2 of the MAP Guide, it says that the application for a Firm Commitment must be submitted within 120 days of the letter of invitation. Two 30-day extensions may be authorized by HUD, but the Guide does not specify who decides if an extension of time is needed beyond the 60 days which may be authorized by the field office. Please clarify.

Beginning July 1, 2003, the field offices are authorized to approve up to three (instead of two) 30-day extensions of time to file an application for a firm commitment. After the 90 days additional extension, any approval must be given by the Office of Multifamily Development.

The opening two sentences of Section 4.2.D.2 remain the same and become a separate paragraph. A second paragraph reads as follows, with changes underlined:

"The application for a Firm Commitment must be submitted within 120 days of the letter of invitation. Three 30-day extensions of this 120-day limit may be authorized by Hub or Program Center Director, but there is no requirement that

extensions be approved. The Hub or Program Center Director will review the circumstances reported by the Lender to justify the extension of time. The Lender must certify and the Hub or Program Center Director must determine that the requested delay beyond 120 days is not likely to change the underwriting data on which the invitation was based or to undermine the feasibility of the project due to a change in the market or other factors determined at pre-application. In the rare circumstance where is a justifiable request by the Lender for an extension of time beyond the 90 days that the Hub or Program Center Director may allow, the Hub or Program Center Director must request authorization to approve a further extension from the Director of the Office of Multifamily Development or his/her designee. The authorization request must provide the additional time requested, the Hub or Program Center's recommendation, the reasons the extension is needed, and assurances that the underwriting data is current. It may be sent and responded to by e-mail." (6/20/03)

Chapter 5 - Architectural Analysis

13. Form HUD-2457, HUD Survey Instructions and Report, has mandatory certification language that the surveyor must put on the survey map/plat. The American Land Title Association/American Congress on Surveying and Mapping (ALTA/ACSM) has its own mandatory certification language that differs from HUD's language. Do they conflict? And if they do not conflict, can the ALTA/ACSM certification appear on the survey map/plat alongside HUD's certification?

HUD's Office of General Counsel (OGC) has reviewed the HUD and ALTA/ACSM certifications. OGC finds no conflict and has no legal objection to the required ALTA/ACSM certification appearing on the survey map/plat along with the required HUD certification. Accordingly, HUD Offices are instructed to permit both certifications to appear on the survey map/plat. (7/8/04)

12. FAQ number 11 for Chapter 5 dated 4/26/2004 discusses smoke detector requirements for Section 223(f) projects. If battery operated smoke detectors are installed in a 223(f) project, can the installation be phased in as part of the replacement reserve schedule?

No. Installation of smoke detectors in Section 223(f) projects is a life safety issue, and is therefore a Critical Repair, which must be completed before Initial/Final Closing. (6/17/04)

11.a. Are smoke detectors required for Section 223(f) projects under MAP?

- b. If they are required, must they be "near the sleeping location(s) for each living unit" as stated in Appendix 5C, paragraph C.4, or must they be "in each sleeping area" as stated in Appendix 5D, paragraph B.1?
- c. If they are required, must smoke detectors for Section 223(f) projects be hard wired or may battery operated smoke detectors be installed?

- a. **Yes. Smoke detectors are required for Section 223(f) projects under both MAP and TAP. The 2003 Life Safety Code (NFPA 101), paragraph 31.3.4.5.1, states that "...smoke alarms must be installed outside every sleeping area in the immediate vicinity of the bedrooms and on all levels of the dwelling unit, including basements."**
In addition to the NFPA requirements, the regulation in 24 CFR 200.76 requires that smoke detectors must also be installed inside each sleeping area. Because this regulation does not differentiate between new construction, substantial rehabilitation, or acquisition/refinance projects, it applies to all.
- b. **Regarding the conflicting MAP Appendices, the language in both Appendix 5C and Appendix 5D will be changed to state that smoke detectors are required inside all bedrooms, outside every sleeping area in the immediate vicinity of the bedrooms, and on all levels of the dwelling unit, including basements.**
- c. **The regulation does not specify whether the required smoke detectors must be hard wired or battery powered. However, Section 3.3.9.1 of NFPA 101 permits a battery-operated device. Considering the difficulty, time and expense of feeding electrical wiring through the walls of existing buildings, we will accept battery-operated smoke detectors in Section 223(f) projects, under the following condition:**

The smoke detectors must be powered by power cells having the following characteristics:

- **The cells must be tamper-resistant;**
- **The cells cannot be used in any other toy or appliance;**
- **The cells must have a ten-year life.**
- **The smoke detector may have a manual (but not automatic) silencing device to clear unwanted alarms such as cooking smoke.**

**Smoke detectors as described above appear to meet the intent of the smoke alarm requirements in Section 9.6.2.10 of NFPA 101.
(4/26/04)**

10. For a multiple-structure project, a thorough technical HUD review requires an itemized Gross Floor Area and Dwelling Unit Breakdown, including unit areas, for each individual structure in the project. However, there is currently no MAP Guide requirement for a per-structure breakdown of Gross Floor Area or Dwelling Unit Breakdown including unit areas. MAP Guide Sections 5.6.B, 5.14, and 5.25.C require no more than the completed Form HUD-92264, which only lists the total Gross Floor Area and total Dwelling Unit Breakdown including unit areas for all buildings in the

project. Must the Lender prepare per-structure breakdowns for a multiple-structure project?

Yes. For a New Construction or Substantial Rehabilitation multiple-structure project, the Lender must submit an itemized Gross Floor Area and Dwelling Unit Breakdown list, including unit count and unit areas, for each individual structure in the project.

For projects submitted pursuant to Section 223(f) where no measured architectural drawings are available, the Lender must prepare a Dwelling Unit Breakdown list, including unit count and unit areas, for each individual structure in the project. In addition, the Lender must submit an estimate of the Gross Floor Area for each individual structure in the project, based on the best estimate of the Needs Assessor. (4/09/04)

9. In Question 6, it is stated that items 1 through 10 listed on Page 2 of 2, questions to be answered by the Surveyor, do not require any response on the part of the Surveyor. This does not appear to be true, for most, if not all, of the questions require a written response. Please reconsider this question.

We have reconsidered the question and agree. The 10 items listed on Page 2 of 2 of Form HUD-2457 are indeed questions that require the Surveyor to provide a written response. (11/20/02)

8. Question 3, concerning the "as built" survey in Section 5.25.D.6 of the MAP Guide, outlines which portions of Appendix 5I do not apply to refinance projects. What if there are 223(f) repairs in these categories? Should they be included in the survey in that case?

Yes. Any repairs involving re-contouring, re-surfacing of roads, and/or public utilities must be included in the "as built" survey for Section 223(f) projects. Accordingly, provisions C.1, C.5, and C.6 in Appendix 5I do not apply to refinance projects provided they are not included in repairs:

C.1 Contours (if not included in repairs)

C.5 Portion dealing with surfacing and curbs (if not included in repairs)

C.6 Public utilities with invert sewer elevations (if not included in repairs)

C.7 Preservable trees

Specific provisions for surveys for Section 223(f) projects will be incorporated into Appendix 5C of the MAP Lender Guide. (10/15/02)

7. When submitting the survey required by Section 5.5.B.3 of the MAP Lender Guide, must a brand new survey be prepared or will an inspection or revision of the survey satisfy the requirements? Is a survey marked "re-surveyed" on a date within the time limits acceptable although the original survey was several years before?

A survey marked "re-surveyed" and dated within the submission time frame is acceptable, provided that it is either done by the original surveyor or, if performed by a different surveyor, it must also contain the seal of the new licensed surveyor. (10/10/02)

6. Regarding Form HUD-2457, Surveyor's Report, listed in Section 5.5.B.4 of the MAP Guide: Are items 1 through 10 listed on Page 2 of 2, questions to be answered by the Surveyor, or are they just a list of items which the Surveyor is stating are included in his/her survey and which require no answers?

The 10 items listed on Page 2 of 2 of Form HUD-2457 are not questions. They are items that apply to the paragraph immediately above. When the Surveyor signs the Surveyor's Report, he/she is certifying that these items reflect the conditions observed as indicated. (10/10/02)

5. Section 5.22.C of the MAP Guide states: " HUD architectural analyst will issue a written report (Appendix 5L) containing recommendations and forward a copy to the Lender's architectural analyst and the HUD Team Leader". In our Office, reports are sent solely to the Team Leader and kept internal as the MAP Guide intended. If necessary, any important report comments are then conveyed in the invitation or deficiency letters. Is this correct?

You are correct. All of the other HUD Procedures sections in Chapter 5 and Chapter 6 require that the HUD analyst forward a copy of the written report solely to the HUD Team Leader. Section 5.22.C should conform to the other Sections in this regard, and will be revised in the near future to eliminate reference to the Lender's architectural analyst. For projects covered in Section 5.22, please forward the written report(s) to the HUD Team Leader only. (10/10/02)

4. In the case of a Section 223(f) application for a project built after March 13, 1991, containing construction violations of the Fair Housing Act, the MAP Guide states in Appendix 5C, paragraph E, that "In no case may the Department insure such a case with outstanding Fair Housing Act violations." Can the repairs necessary to correct the Fair Housing Act violations be considered Non-Critical Repairs and be deferred until after Initial/Final closing?

No. The Department has determined that it cannot allow Fair Housing Act violations to exist at insurance endorsement. Accordingly, any and all repairs necessary to correct Fair Housing Act construction violations in a 223(f) project shall be considered Critical Repairs, which must be completed before Initial/Final closing. (10/10/02)

3. Section 5.25.D.6 of the MAP Guide, which deals with Lender deliverables for Section 223(f) projects, refers to the "as built" survey. Must the "as built" survey for Section 223(f) projects include all of the items required for new construction as indicated in Appendix 5I?

No. The "as built" survey for Section 223(f) projects provides a precise identification of the existing structures for mortgage insurance and property insurance purposes. The construction items are unnecessary, because refinancing an existing building does not involve new construction. (Note that in the case of projects that involve adding a new portion onto an existing structure and refinancing the existing portion, the survey for the new construction portion must conform fully to the requirements in Appendix 5I because new construction is involved.) Specifically, the following provisions in Appendix 5I do not apply to refinance projects:

C.1 Contours

C.5 Portion dealing with surfacing and curbs providing that no repairs are being made on these elements

C.6 Public utilities with invert sewer elevations

C.7 Preservable trees

Specific provisions for surveys for Section 223(f) projects will be incorporated into Appendix 5C of the MAP Lender Guide. (10/10/02)

2. Section 5.26.A in the MAP guide states the following: "Date of PCNA. The PCNA must be prepared and dated no earlier than 120 days prior to the submission of the application for firm Commitment." I have received a PCNA which has 2 dates. The first date states: "On-Site Date 12/18/2001", and the second date states: "Date of Report 3/27/2002". Which date should be used as the official date of the PCNA to determine the start of the 120-day submission deadline?

The date of the PCNA is the date that the actual inspection of the property was performed. In your case, if the "On-Site Date 12/18/2001" is the date of the physical inspection of the property, then its expiration date for inclusion in the Firm Commitment submission is 120 days after 12/18/2001, or April 17, 2002. (10/10/02)

1. Section 5.26.A of the MAP Guide is silent on the subject of "updating" a PCNA. Is the Needs Assessor required to update the PCNA in the event that the 120-day window for Firm application submission lapses?

Yes. In the event that the Lender fails to submit an acceptable application for Firm Commitment within the 120-day window from the date of the original physical inspection, then the Lender must order an updated PCNA. The Needs Assessor must re-inspect the subject property, updating any structure and/or site conditions observed, and date and sign a new Third Party Certification. (10/10/02)

Chapter 6 - Cost Processing

5. In FAQ number 1 for chapter 6, dated 10/10/2002, it states that Builder's Risk Insurance is taken out by the contractor. However, Paragraph 4(b) of the Property Insurance Requirements, Form FHA-2447, states that the Mortgagor is the Insured. Shouldn't Builder's Risk Insurance be taken out by the Mortgagor?

Yes. FAQ number 1 is incorrect. Builder's Risk Insurance must be taken out by the Mortgagor. The insurance premium belongs on Line G.55, Insurance, of Form HUD-92264, and not under General Requirements. (7/8/04)

4. Section 6.3.C.3.b describes the Cost Not Attributable (CNA) categories as either Residential or Commercial. Can a non-attributable use such as parking be counted under both Residential and Commercial CNA?

No. Residential CNA and Commercial CNA are mutually exclusive. All CNA uses must be categorized as one or the other, but not both. (11/20/03)

3. Under MAP, does the Lender endorse Form HUD-2328?

Yes. The Lender's cost analyst must sign and date Form HUD-2328 in the FHA: (Processing Analyst) box. The Lender's Underwriter must sign and date Form HUD-2328 in the FHA: (Chief, Cost Branch or Cost Analyst) box. The FHA: (Chief Underwriter) line will be endorsed by HUD staff. For MAP cases, two HUD staffers must sign and date this line: the HUD cost reviewer, and the HUD Team Leader. (9/26/03)

2. Section 6.3.C.3.c in the MAP guide establishes a ceiling for residential Cost Not Attributable (CNA) at 15 percent B over A, and an additional ceiling of 15 percent B over A for commercial CNA. However, B over A applies to new construction, but does not apply to substantial rehabilitation. Does that mean that there is no ceiling for CNA in a sub rehab project?

Not true. The MAP Guide provides a worksheet in Appendix 6C for determining CNA for substantial rehabilitation projects. In addition, there is a ceiling for CNA for sub rehab projects as well. Even though B over A is not used for sub rehab, it is a legitimate tool for determining a CNA ceiling. Accordingly, in a sub rehab project, determine the cost of the non-attributable rehab work being done (do not include the "as-is" value of the existing CNA use), and divide it into the sum of the total rehab work, which includes structures rehab work and land improvement rehab work. Use 15 percent as the ceiling for residential CNA rehab work and another 15 percent as the ceiling for commercial CNA rehab work. (10/10/02)

1. Where does Builder's Risk Insurance belong: General Requirements, General Overhead, Contractor's Other Fees, or Owner's Other Fees?

Builder's Risk Insurance is taken out by the contractor and is job specific, meaning it terminates at the official close of construction with the building occupancy. Accordingly, it is never part of General Overhead nor is it part of Owner's Other Fees. This leaves either General Requirements or Contractor's Other Fees. Note that the description of General Requirements in Section 6.3.C.4 of the MAP Lender Guide, paragraph a(1)(i) includes "theft and vandalism insurance." This indicates that it is appropriate to include Builder's Risk Insurance in General Requirements. (10/10/02)

Chapter 7 - Valuation Analysis

7. During an audit of a nursing home, it was found that the owner was receiving a substantial salary from the property that was being paid out of operating expenses. The auditor also noted that there was no indication that the owner was performing any significant management functions that were reasonable and necessary to the operations of the project and that HUD approved the salary during the loan origination process.

Is "owner's salary" an allowable operating expense?

According to Chapter 7.7 of the MAP Guide, operating expenses are a portion of the gross income, which must be used to maintain, operate and repair the property and to defray the costs of ownership arising from it. An accurate analysis of operating expenses is essential in determining a realistic net income estimate for the project. The form HUD-92274, Operating Expense Analysis Worksheet, is used for development for project expense estimates for Section E of the form HUD-92264, Project Income Analysis and Appraisal. For Section 232 and board and care facilities, an equivalent expense analysis must be provided based on the line items found in the form HUD-92264-HCF.

Page 2 of the form HUD 92264-HCF instructions in the MAP Forms Guide provides guidance for Owner's Salary in Section D:

- **Other salaries include any other employee, not accounted for, who are required to provide a service for the health, safety and/or rehabilitation of the residents.**
- **For salaries of owners or corporate officers, include only to the extent of services performed relative to the subject operations.**

Therefore, an Owner's Salary is allowable provided it meets the above criteria and does not duplicate the services performed by other employees. If an Owner's Salary is noted under "other" in Section D of the form HUD-92264-HCF, adequate documentation of the Owner's

**duties and services performed must be noted in the appraisal report.
(4/26/04)**

6. It has been my experience that often times a subsidized property, such as a project with a 100% Project Based Section 8 subsidy, will have increased operating expenses due to such factors such as higher administrative needs and reserves for replacement. Even the Uniform Standards of Professional Appraisal Practice acknowledge in Advisory Opinion 14 that; "Subsidized housing projects may have differences in income, expenses and rates of return when compared to market rate projects". In the case where the appraiser is asked to derive two income estimates, and a hypothetical "market value" of the property without regard to subsidies or income restrictions, how should I perform the expense analysis? Are two sets of comparables necessary, and how should the MAP appraiser document that both operating expense scenarios were analyzed?

When the FHA program requires two income estimates and a hypothetical estimate of market value, the appraiser must provide separate market and subsidized operating expense estimates when market rate expenses are different from the proforma expense as subsidized. Where market rate expenses are different from the property's expense needs as subsidized, two Form HUD-92274 Operating Expense Analysis Worksheets must be included with the appraisals. Where the appraiser makes no differentiation, the appraisal must include a discussion on this matter with supporting documentation why no differentiation was made. This policy applies to Section 8, LIHTC and other subsidized properties. (4/19/04)

5. The sponsor is repaying a direct loan under Section 202 and refinancing under Section 223(f). In this locality, the property tax abatement is for nonprofits only, and the use must be restricted to elderly housing. It does not run with the real estate, as required under Section 7.18 of the MAP Guide. May the field office waive this requirement so that the Section 223(f) underwriting does not have to include property taxes as an expense?

No, the underwriting must include an amount for property taxes even though the present owner or its nonprofit transferee may not be paying them. HUD cannot take the risk that, in case of transfer of the property or assignment of the mortgage in the future, the new owner might lose the tax abatement. However, we will allow one important exception to the requirement that the property tax abatement run with the real estate. If the refinancing includes low-income housing tax credits (LIHTC) as equity, and if the tax abatement runs with the sponsorship (mortgagor) entity, then the Hub Director may waive the MAP Guide to provide that the underwriting does not have to include a provision for property taxes to the extent permitted by local law for tax abatement. The procedures in Section 7.18 of the MAP Guide must be followed.

This exception is justified because of the low loan-to-value mortgages that accompany low-income housing tax credits. The use of waiver authority is applicable not only to refinancing

of direct loans under Section 202 with Section 223(f). It also applies to projects insured under other sections of the Act where FHA financing can be used with LIHTC: Sections 220, 221(d)3, 221(d)4, and 232. (5/22/03)

4. Is the Department developing a new methodology for treatment of expense comparables for MAP processing?

Yes, in response to the Appraisal Industry's input, the Department is modifying its confidential comparable restriction as follows:

- 1. The prohibition against confidential rent and sales comparables remains in effect. All rent comparables and sales comparables must be fully identified and disclosed in the appraisal report.**
- 2. All FHA Insured properties being used as expense comparables must be fully identified and disclosed in the appraiser's HUD 92274 expense analysis and in the appraisal report.**
- 3. The appraiser may include confidential expense comparables in the expense analysis, however, the analysis must include at least one fully identified and disclosed expense comparable to serve as the benchmark. Appraisers may only use confidential expense comparables that are supportive and consistent with the fully disclosed comparable(s) used in the analysis. All comparables (confidential and disclosed) must be representative of the physical and locational characteristics of the subject property.**
- 4. It is unacceptable for the appraiser to base the conclusions of the analysis on confidential expense comparables that are not supported by the fully disclosed comparable(s) used in the analysis.**
- 5. Appraisers should always present the best comparables available for their analysis and should refrain from repeatedly regurgitating the same disclosed comparable over and over again just to meet the disclosure requirement.**
- 6. When submitting confidential expense comparables, the appraiser should redact only the minimum amount of information necessary to protect the confidentiality of their client. The city, state and general market area within the city should be disclosed unless this information would clearly identify the comparable and thus breach the appraiser's confidentiality requirement. Otherwise, this information should be presented. The property description, unit mix and the physical characteristics of the comparable's units must be disclosed.**
- 7. HUD expressly asserts its role as regulatory enforcement agency as outlined in the confidentiality provision of**

USPAP. Appraisers will be required to present their entire work file and fully disclose the identity and source of confidential information should the Department determine a review of the appraisers work file is in order (note that per USPAP, disclosure to enforcement agencies does not constitute a violation of the Confidentiality Provision). Any irregularities noted during the review process or deviations from the confidential comparable submission process outlined herein will automatically trigger a review of the appraisers work file. (9/30/02)

3. I have a question with regard to the recent policy directive regarding confidential comparables. The FAQ states that HUD needs the name and address of the expense comparables to allow "the HUD Appraiser to inspect the subject site and a reasonable number of the comparables". Does this indicate that HUD Appraisers will be calling and verify the owner's operating statement line-by-line with the owner or his representative? I feel that this will cause a problem in that the majority of appraiser's expense information is given to him by third parties such as owners, developers and management companies to utilize on a confidential basis. I fear that this source of information will no longer be available if they will have to field calls from review appraisers and other parties asking questions about information they would deem to be personal and confidential.

The directive prohibiting confidential data has been initiated for two primary reasons. The first and most important reason is that it is simply impossible for the HUD appraiser to make a determination as to the acceptability of a comparable if he cannot determine which property has been submitted as a comparable. HUD appraisers are certified general appraisers and are called upon by the Department to make a thorough technical review of the report submitted. There is no way they can make this determination without being privy to all the information the fee appraiser used in developing his opinion of value. This is why all HUD appraisals are to be prepared in self-contained format. A review of the comparables submitted by the fee appraiser for each appraisal assignment has been a requirement of the MAP program since it's inception.

Secondly, the recent GAO audit brought to light numerous instances where fee appraisers had submitted comparable expense information from HUD insured properties. In cases like this, it is very easy for the HUD appraiser to verify expense data and could be deemed negligent on our part if we did not do so. This is why we have instructed our appraisers to make use of internal data sources whenever possible to verify as much of the appraisal as can be done.

HUD appraisers are not being instructed to call owners or management agents to verify the expense data used by the appraiser in his/her report. They have been instructed to:

- 1. Perform a reasonable number of property inspections.**
- 2. Verify expense data using the FASS system when FHA insured properties are used as expense comparables**
- 3. Insure consistency by making full use of their in-house data sources to verify information from one appraisal to the next.**

As detailed in the previous Q&A, HUD will not release any confidential information provided by fee appraisers and lenders have been instructed to also protect this information. Exemption 4 of the Freedom of Information Act allows HUD to refuse to release this information so that owners and management agents should be assured that the interests of both the government and the submitters of the information are protected. (8/26/02)

2. I am concerned about the recent policy directive regarding the unacceptability of confidential comparables. Many appraisers are indicating that they may not release this information due to confidentiality requirements with their clients which is outlined in USPAP and more recently in the Gramm-Leach-Bliley Act.

The prohibition against confidential comparable data was enacted in response to numerous findings of erroneous data submitted by contract appraisers. The result has been a significantly greater requirement placed on the Department's staff appraisers to verify more of the data submitted by fee appraisers to insure that the information being provided is factual. It is the Department's opinion that there is no way that our staff appraisers can make a true technical review and perform proper data verification without specific knowledge of every property submitted as a comparable.

Furthermore, the MAP Guide clearly requires at 7.9C3 (for Sections 220 and 221) that "the HUD appraiser will inspect the subject site and a reasonable number of the comparables used in the Lender's appraiser's HUD 92273 and HUD 92274". The guide also sets this requirement at 7.11C3 for Section 223(f) and 7.12M2 for Section 232. There is simply no way that the HUD appraiser can meet this requirement if the comparable is not identified.

The confidentiality requirement of USPAP does allow for the appraiser to release this type of information if he/she first obtains the permission of the client. Appraiser's can assure their clients that HUD will maintain the confidentiality of this information even under Freedom of Information Act requests.

Exemption #4 of the Freedom of Information Act protects commercial or financial information that is privileged or confidential. This exemption is intended to protect the interests of both the government and submitters of information. Its existence encourages submitters to voluntarily furnish useful commercial or financial information to the government and it

correspondingly provides the government with an assurance that such information will be reliable. The exemption also affords protection to those submitters who are required to furnish commercial or financial information to the government by safeguarding them from the competitive disadvantages that could result from disclosure.

MAP Lenders are required to maintain the confidentiality of all appraisal information on individual MAP cases and cannot release this information to any other parties. (8/19/02)

1. The MAP Guide authorizes field staff to "request from the Lender's appraiser the names and addresses of any confidential expense comparable used in the expense analysis". Should I interpret this to mean that confidential expense comparables are unacceptable, and does this policy also apply to rental comparables and sales comparables?

In light of recent concerns regarding the validity of the comparable data that has been submitted to the Department, an administrative decision has been made that the Department will no longer accept any confidential data sources. This policy includes rental, expense and sales comparable data. In addition, any rental, sale, or expense comparable that is currently financed under FHA insurance should be identified as such by the contract appraiser. (6/6/02)

Chapter 8 - Mortgage Credit Underwriting and Processing Requirements

4. What instructions or guidelines do we follow to properly and correctly analyze financial statements?

A new Appendix 8D has been added to Appendix 8 Mortgage Credit Underwriting and Processing Requirements in the MAP Guide detailing the correct way to analyze financial statements. (11/16/04)

3. In the previous FAQ addressing Secondary Financing under Chapter 8, posted 10/7/03, several MAP Guide references listed are to be ignored. Shouldn't have MAP Guide Section 8.8 A.1.b.(1) that addresses the former treatment or deduction of grants/loans under Criteria 3 of Form HUD-92264A for proprietary mortgagors also been included in this list?

Also, in the same FAQ it states when completing Criteria 11 Line a., that 100% Project Cost applies to Criteria 7 and 10 under Section 223(f) or other Sections of the Act pursuant to Section 223(f), and Project Replacement Cost applies to Section 221(d) and other Sections of the Act mortgages limited by replacement cost when completing Line a. Criteria 11. What do we use for Section 232 that uses Value and not replacement cost?

Yes you are correct, Section 8.8 A.1.b.(1) instructions should have also been included in the list of MAP Guide references to be ignored under current secondary financing policy.

For all Sections of the Act, Line a. of Criteria 11 of Form HUD-92264A should reflect 100% of the FHA mortgageable costs needed to complete the deal. For New Construction Section 232 proposals, Line a. of Criteria 11 should reflect the amount on Section H., line 39. "Total Estimated Replacement Cost of Project as Depreciated", of Form HUD-92264 HCF. For Section 232, Substantial Rehabilitation proposals, Line a. should reflect Form HUD-92264A, Criteria 6, Amount Based on Estimated Cost of Rehabilitation, line h. (1/14/04)

2. A revised policy on secondary financing was posted under Chapter 8 of the MAP Guide website on 10/7/03. As a result of the posting, some are under the impression that the entire tax credit amount is deducted from Criteria 11 of the Form HUD 92264A. What portion or amount of tax credits are deducted in Criteria 11?

The tax credits to be deducted under Criteria 11 are those credits for FHA mortgageable cost only. In the aforementioned posting of 10/7/03, within the title of Criteria 11, it does say to deduct tax credits for mortgageable items.

Tax credits for non-mortgageable cost are not included in the Criterion 11 calculations and are also not reflected in any of the other criterion on the HUD Form 92264A. The sources and uses statement provided by the mortgagor should outline all mortgageable and non-mortgageable costs and the source(s) to fund each.

Criteria 11 is completed for all Sections of the Act when secondary financing applies. (12/19/03)

1. The MAP Guide at Section 8.9 states the amount of grants/loans attributable to replacement cost items are deducted in the calculation of Form HUD-92264A mortgage Criteria 3, 7 or 10 under Section 223(f). Section 8.10 B 1 a. permits secondary financing by governmental loans to equal 100% of the Fair Market Value. Please clarify whether secondary financing is permitted to cover equity.

What instructions do we follow to process applications that involve governmental grant/loan secondary financing under MAP Section 221(d) and other MAP programs?

You are correct that clarification is needed. After further consideration, the following revised policy on secondary financing (loans), grants, tax credits and gifts applies to MAP profit and nonprofit insurance applications that have not been endorsed as of this FAQ posting date.

Government Sources

- 1. Secondary financing, grants and tax credits from a Federal, State, or local government agency or instrumentality, may be used to cover up to 100% of the applicable Section of the Act equity requirement.**
- 2. Secondary financing, grants, and tax credits from a Federal, State or local government agency or instrumentality, may also be used to finance non-mortgageable costs. Such funds covering non-mortgageable cost, when added to the HUD mortgage and required equity contribution, may exceed 100% of the project's Fair Market Value (FMV) or Replacement Cost.**
- 3. Subordinated liens against the property that result from secondary loans from a Federal, State or local governmental agency or instrumentality to cover non-mortgageable costs and/or equity, in combination with HUD's primary lien, may exceed 100% of the property's FMV or Replacement Cost.**
- 4. Non-mortgageable costs or non-HUD replacement cost items, covered by secondary loans, grants and tax credits must be certified by the source provider to be required to complete the project and that the related costs are reasonable. Documentation to this effect must be included with the application submission.**

Private Sources

- 1. Secondary financing in the form of a promissory note is permitted to cover a portion of the equity requirement under Section 223(f). The aggregate amount of the FHA insured first loan and the private second loan cannot exceed 92.5% of FMV. Therefore, the amount of a private loan may range from 7.5% of FMV (the difference between 85% and 92.5% of FMV) to a larger percentage if a mortgage criteria lower than 85% of FMV controls.**

This rule also applies to Sections of the Act that are pursuant to Section 223(f), i.e., Section 232 pursuant to Section 223(f). However, this allowance should not be used to circumvent our existing policies which do not permit equity take-out on Section 232 refinance transactions or on purchase transactions, a way to finance costs that otherwise would not be permitted. For example, seller take backs on property acquisition costs that are not supportable by market data should not be approved.

Secondary financing from private sources are not permitted under other Sections of the Act.

- 2. When private secondary financing is combined with Federal, State or local government agency secondary financing, like in #1 above, the aggregate amount of the HUD insured first loan**

and the private second loan cannot exceed 92.5% of FMV. However the governmental loan, in aggregate with the HUD first and private second, may exceed the property's FMV. The addition of the governmental loan may result in total liens that exceed the property's FMV.

3. Private secondary financing may be used to cover non-mortgageable costs in combination with equity or solely for one purpose or the other. Whatever option is decided upon, as stated under #1 above, the aggregate of the HUD first and private second cannot exceed 92.5% of FMV.
4. Non-mortgageable costs or non-HUD replacement cost items, covered by secondary financing from private sources must be certified to be reasonable and required to complete the project by the provider of sources in documentation included with the application submission.

MAP Guide Book Changes

(1) The following sections of the MAP Guide currently require grants/loans to be deducted to calculate Form HUD 92264-A mortgage criteria. As a result of this revised policy grants, loans, gifts and tax credits are no longer deducted from these mortgage criteria. Instead, grants, secondary financing, gifts and tax credits must be deducted from the new mortgage Criteria 11 as instructed below.

Ignore these instructions to deduct grant/loans from mortgage criteria.

8.7 A 1 b,	8.8 A 2 c	8.9 A 2 b (2) (g) (ii)
8.7 A 2 b	8.8 A 2 d	8.9 B 1 c (2)
8.8 A 1 b (2)	8.9 A 1 b	8.9 B 1 e (7) (b)
8.8 A 1 d	8.9 A 1 e (7) (b)	8.9 B 2 b (2) (b) (7) (b)

(2) In accordance with the above revised policy on governmental and private secondary financing the loan limitations expressed under the current MAP Guide Section 8.10 B 1 and 2 no longer apply. As stated above, for Section 223(f) and all Sections of the Act, a Federal, State or local government loan can exceed the difference between the HUD insured mortgage and the HUD FMV of the project or Project Replacement Cost if that is applicable.

The aggregate amount of the insured first loan and the private second loan still cannot exceed 92.5% of FMV, however, governmental loans may be used in combination with private secondary financing and exceed FMV.

MAP Form Book Changes

Form HUD 92264-A

1. Under MAP, amounts for grants/loans/tax credits/gifts are not deducted from Criteria 3, 6, 7 or 10 as the form currently request. Disregard these line items for all Sections of the Act.

2. Complete Criteria 11 for all Sections of the Act when secondary financing applies.

Criteria 11- Amount Based on Deduction of Grant(s), Loan(s), Tax Credit(s) and Gift(s) for Mortgageable Items:

a. 100% Project (Replacement) Cost *	\$	_____
b. (1) Grants/loans/gifts		_____
(2) Tax Credits		_____
(3) Value of Leased Fee		_____
(4) Excess Unusual Land Improvement Cost		_____
(5) Cost Containment Mtge Deduction	\$	_____
(6) Unpaid Balance of Special Assessment		_____
(7) Sum of Lines (1) through (6)		_____
c. Line a. minus line b. (7)	\$	_____

* Project Cost applies to Criteria 7 and 10 under Section 223(f) and applications pursuant to 223(f). Project Replacement Cost applies to Section 221(d) and other Sections of the Act mortgages limited by Replacement Cost. (10/07/03)

Chapter 9 - Environmental Review

6. MAP Guide Section 5.15A3 and in Appendixes 4AIB3, 4AIIB2 and 4CA31 list 1978 as the end date for asbestos checking. However, Sections 9.4D and 9.7B, in the environmental review chapter, list 1974. It wasn't until 1978 that asbestos-containing building materials were banned. Are Sections 9.4.D and 9.7.B incorrect?

Sections 9.4.D and 9.7.B are indeed incorrect, and will be changed to reflect the 1978 date in the other MAP Guide sections. (10/10/02)

5. In accordance with Section 9.3 B of the MAP Guide the Phase I Environmental Site Assessment (ESA) may be updated when more than 180 days has elapsed since its completion. It is not clear if additional time is permitted before an update is required.

When an update is required the total number of days permitted to have elapsed since the original Phase 1 ESA completion is 390 days, which equals the original 180 days plus, 150 days and 60 days. (2/13/02)

4. Can the Lender hire the environmental site assessment professional to do the Phase I, not just the Owner?

Although the MAP Guide, at 9.2 A states that "the sponsor/developer will select the professionals to be used in the environmental review, and the lender should verify that the professionals used are qualified for their assigned responsibilities", it is also acceptable for the lender to contract this professional. (6/20/01)

3. In MAP Guide Section 9.7, paragraph A.1, "Lead Paint", the MAP Guide reads "...This section is relevant to conversion, substantial rehabilitation, and to refinancing or purchase of apartments under Section 232(f). It is not applicable to rehabilitation, refinancing or purchase of healthcare facilities." However, Appendix 4D - Application Requirements Checklist for 232/223(f) - item #39 indicates that an environmental report, which includes both a lead-based paint and asbestos report, must be submitted. Please confirm whether existing healthcare properties (including assisted living facilities) require lead-based paint and asbestos reports as part of a 232/223(f) application.

The reference to Section 232 is a typographical error. The MAP Guide is referring to "apartments refinanced under Section 223(f)", and clearly states that lead based paint is not applicable to rehabilitation, refinancing or purchase of healthcare facilities (including assisted living) unless a child of less than 6 years of age resides or is expected to reside within the premises. Appendix 4D will also be corrected to remove the reference to lead based paint. (6/20/01)

2. Please consider an addition to the MAP guide that lists the required qualifications of the person preparing the ESA. There is no state certification of environmental professionals and the ASTM standards are not openly published. Each office would have to pay ASTM for their publication. Without something concrete in the guide, we will have different offices using different criteria because the ASTM standards are not readily available. I have checked the ASTM web site. They sell their standards on CD. Do we have a copy of the standards available? Can we post them on the Hud website so we can all read them?

Because ASTM may amend these requirements, as they deem necessary, they have not been itemized in the guide. The guide references the most recent guidance at the time of it's preparation and includes the phrase "as amended" recognizing that this may be updated in the future. It is the lender's responsibility to insure that environmental professionals meet the most recent ASTM qualifications and requirements. Multifamily Housing will consider purchasing and distributing this information to the processing centers for our internal use in the future. (10/24/00)

1. There is a primary concern about lack of time and/or official coverage of environmental responsibilities in MAP. There is also an impression that the entire

environmental review will be done by the developer. There is also concern that State Historic Preservation Offices will only do business with HUD.

Section 9.1, A., 1., states that HUD may not delegate its environmental responsibilities to others; it is required to prepare the environmental assessment and make the appropriate environmental finding. (See 24 CFR 50.11).

MAP Chapter 9, pages 1 through 15 outline the duties of the MAP lender, Map Sponsor and HUD but in no way is HUD relieved of final environmental responsibility.

Section 9.7, C., 3., reminds the reader that relationships with the local field office and SHPO differs from state to state. Some SHPOs will not accept requests that do not come from HUD directly. In such cases, the lender should contact the Hub or Program Center. (9/28/00)

Chapter 10 - Management Analysis

Chapter 11 - Lender Underwriting - HUD Review

1. Section 11 L, which is a sample Invitation Letter to the MAP Lender, contains a paragraph on a request for an extension of time to file application for a firm commitment. The first question in FAQ Chapter 4 "Application Requirements" contains a revision to the MAP Guide. Should that revision also be part of the MAP Invitation Letter?

The Invitation Letter should be revised to show that the Hub or Program Center may authorize up to three (instead of two) 30-day extensions of time to file an application for a firm commitment. The rest of the language in the Invitation Letter remains unchanged. (6/20/03)

Chapter 12 - Insurance Closings

2. The instructions for Assurance of Completion in Section 12.1.5.F.1 of the MAP Guide state that Surety bonds are required for at least "100% of the HUD estimate of total for all improvements (line 53, FHA 2328)." This conflicts with the amount indicated in Section 12.1.5.F.4, which uses the Total for All Improvements in Form HUD-92264, Line G.50. The difference between these two amounts is that the HUD-2328 consists of construction contract items only, and does not include mortgagor's Other Fees or architect's fees. However, Line G.50 of Form HUD-92264, even when architect's fees are deducted as per Section 12.1.5.F.4, still includes mortgagor's Other Fees. Please advise which section is correct.

The amount in Section 12.1.5.F.1 is correct, because it uses Form HUD-2328 as the source document, where the total on Line 53 is exclusive of architect fees and mortgagor's Other Fees. However, the instructions will be changed in the next revision of the MAP Guide to instruct the user to use Form HUD-92264 as the source document, and to subtract architect's design and supervisory fees and Mortgagor's Other Fees from Line G.50. This modification applies to both Sections 12.1.5.F.1 and 12.1.5.F.4. (10/10/02)

1. The instructions for Assurance of Completion in Section 12.1.5.F.2 of the MAP Guide provide security deposit requirements based on the number of stories and whether or not the building has an elevator. The instructions are unclear. Paragraph A indicates 15% for buildings either with no elevator or 3 stories or less with an elevator. However, Paragraph B indicates 25% for a structure with an elevator (no exception for structures with 3 stories or less, as in Paragraph A), or 4 or more stories (no exception for walkups). Please clarify the instructions.

Section 12.1.5.F.2.b will be changed to read: "Structure includes an elevator, and is four or more stories." This will relegate any 3-story project, walkup or elevator, to the 15 percent category, and will relegate all other elevator projects with 4 or more stories to the 25 percent category. Regarding the possibility of a walkup project of 4 or more stories, it is highly unlikely from a marketing standpoint. (10/10/02)

Chapter 13 - Construction Period

Chapter 14 - Cost Certification

Appendix 4 - Application Requirements

Appendix 5 - Architectural Analysis

Appendix 6 - Cost Processing

Appendix 7 - Valuation Analysis

Appendix 8 - Mortgage Credit Underwriting

How To Analyze Financial Statements

8D

Follow the instruction below to correctly analyze financial Statement(s) when determining the financial capability of the Mortgagor, Sponsor, General Contractor, and or Operator/Manager.

- A. **Current Assets** are cash and other assets convertible into cash during the normal operating cycle of business operations or 1 year, whichever is less.
1. When reviewing cash, take into consideration compensating balances, which would limit the amount of cash actually available.
 2. Determine the current value of readily marketable stocks and bonds.
 3. Evaluate the accounts receivable and classify the following as noncurrent.
 - a. Amounts due from officers and employees.
 - b. Amounts advanced to subsidiary, affiliated or associated companies.
 - c. Disputed accounts receivable.
 - d. Accounts receivable past due for more than 60 days. Funds from a local, State or Federal source past due beyond this period may be considered if evidence is provided that source is historically late and it can be expected that these funds will be received before initial closing.
 4. Using a Schedule of Accounts Receivable by Age, determine if the amount allowed for doubtful accounts, if any, is adequate.
 5. Recognize only syndication proceeds from other projects and notes receivable to be collected during the normal operating cycle or 1 year, whichever is less.
 6. If the statement is audited, evaluate inventory and establish its liquidation value, relying on the accountant's review. Do not consider inventory, if statement is unaudited.
 7. Recognize only prepaid expenses for the project.
 8. Do not include:

- a. Equity in the proposed site, since consideration is given on Form HUD-92264-A, Part A.
- b. Cash equity in land and/or properties unless they are readily marketable and intended for the sale market.
- c. Anticipated profits from business ventures.
- d. Equities in real estate encumbered by high ratios of loan to value mortgages, unlisted stocks, goodwill, and other intangible assets.

B. Current liabilities are payables due during the normal operating period or 1 year, whichever is less.

1. Include as current liabilities, regardless of term, those relating to marketable land and completed properties that were treated as current assets.

NOTE: If the balance sheet does not reflect the amounts required to complete construction in progress, the sponsor/general contractor must submit a supplementary statement of such amounts, which contains the truth and accuracy certification referred to in Section 8.4 B 1 b.

2. Consider amounts due to officers, employees, affiliates or stockholders as current liabilities unless the obligations have a definite long-term maturity.
3. Consider amounts needed to satisfy broker's margin account (brokerage account allowing customers to buy securities with money borrowed from the broker).
4. Consider current portion of long-term liabilities.
5. Current year income tax payable. Normally, deferred income taxes are not considered current as long on the economic outlook of company does not appear to be in an adverse trend.
6. Do not include the amount outstanding on the project land, since this obligation is considered on Form HUD-92264-A, Part A.

C. Working Capital is the excess of current assets over current liabilities. If current liabilities exceed current assets, precede the difference with a minus sign to show a deficit.

D. Adjust the net working capital to consider:

1. Effects of contingent liabilities.
2. Financial needs of other projects in the planning stage or under construction.

E. Contingent Liability Related to Agreement for Payment of Real Property Taxes

by Sponsor, Form FHA-1708. This agreement requires the sponsor to make a lump sum payment to cut the mortgage to an amount which could be carried by the mortgagor on a tax-paying basis if a project does not obtain or loses its abatement or exemption from real estate taxes in the future.

1. The execution of this Form is not required if tax exemption is granted based upon State legislation granting tax exemption to particular types of housing, e.g., housing located in urban renewal areas or housing for low and moderate income groups or for other social needs.
2. The execution of this Form is required for all insured projects if tax exemption is granted based upon general charitable statutes.
3. Treat this as a contingent liability when analyzing the Sponsor's financial statements.
4. If the Sponsor does not evidence the capacity to meet the financial requirements for closing plus this contingent liability, process on a tax-paying basis.
5. This requirement is not applicable to Section 202 or 811 projects in which the Field Counsel has concurred in the validity of the exemption based upon special legislation or general charitable statutes.

F. When a sponsor's financial interests are represented by a number of corporations:

1. Require a certification from the Board of Directors, which evidences their willingness to make the required funds available.
2. Establish the availability of funds from such corporations.
3. Consider whether:
 - a. Individual corporations have any operating capital to spare.
 - b. Laws under which they are incorporated and/or their banks permit:
 - (1) Withdrawals, loans or advances to owners or sponsors.
 - (2) Stock investment in affiliated corporations.

(3) Guarantee of debts of associated corporations.

c. In analyzing financial statement:

(1) Do not consider interlocking debts, receivables and investments between all affiliated corporations.

(2) Consider only those assets readily available for investment by the mortgagor.

(3) Do not consider the operating capital and/or net worth of rental project holding corporations as assets available for closing.

G If funds are being provided by a parent company or affiliate of the sponsor:

1. Require a certification from the Board of Directors or authorized agent which specifies the funds the parent company/affiliate is willing to commit.

2. Establish the availability of funds from parent company/affiliate.

3. Require the parent company/affiliate to submit a certification indicating that the lending institution will not make any claim against the mortgaged property, mortgage proceeds, any reserve or deposit required by HUD, or against the rents or other income from the mortgaged property for payment of the loan. This certification must contain the criminal warning reflected in Section 8.4 B b(3).
(11/16/04)

Appendix 12 - Insurance Closings

2. The initial closing checklists (Appendix 12A) for Section 221(d)(4) and Section 232 projects contain a reference to a "Contractor's Certification of Labor Standards and Prevailing Wage Standards." There is no form number listed. HUDCLIPS has a contractor labor standards certification form (FHA-2482) but indicates that the form is canceled. Is this certification form required?

No, this form is not required. HUD has discontinued use of the form FHA-2482 and similar labor standards certification forms (e.g., FHA-2482A, FHA-2482-A-EH). The forms were determined to be unnecessary and were not replaced with other forms.

The references to the contractor's labor standards certification form will be deleted in an upcoming revision to the MAP Guide.

Meanwhile, these references to the contractor's labor standards certification should be disregarded. (3/25/04)

1. The HUD Survey Instructions and Report, Form HUD-2457, has been revised in HUDClips. What revisions have been made?

There has been a revision in the form used for the HUD Surveyor Instructions and Report (previously HUD-92457). The approved Instructions and Report are now entitled HUD-2457 and dated 08/2003 in the lower right hand corner. All previous editions of these Instructions and Report are now obsolete. The following changes should be noted:

- 1. All surveys must now conform with the Minimum Standard Detail Requirements and Classifications for ALTA/ACSM Land Title Surveys, as adopted by the American Land Title Association and American Congress of Surveying and Mapping, dated 1999. Previous instructions referred to the same standards but referred to the 1992 standards.**
- 2. The certification provided on the survey must also refer to these same standards as adopted in 1999.**
- 3. Finally, the Instructions to the Surveyor's Report have been modified. The report shall now be considered current if it is not more than 120 days old. The previous instructions required a report to be no more than 30 days old to be considered current. (9/9/03)**

Appendix 13 - Construction Period

General Questions